

**UNIFIED SCHOOL DISTRICT NO. 431
HOISINGTON, KANSAS**

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended June 30, 2010

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Primary Government Financial Statements With Independent Auditors' Report
For the Year Ended June 30, 2010

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Primary Government Financial Statements With Independent Auditors' Report
For the Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 431 Hoisington, Kansas
Hoisington, Kansas

We have audited the accompanying primary government financial statements of **Unified School District No. 431 Hoisington, Kansas**, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of **Unified School District No. 431 Hoisington, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the cash and unencumbered cash balances of the aggregate discretely presented component unit would have been reported as \$60,607 for Unified School District No. 431, Hoisington Education Foundation.

As described more fully in Note 1, **Unified School District No. 431 Hoisington, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Unified School District No. 431 Hoisington, Kansas**, as of June 30, 2010, or the changes in its financial position for the year then ended. Further, **Unified School District No. 431 Hoisington, Kansas**, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

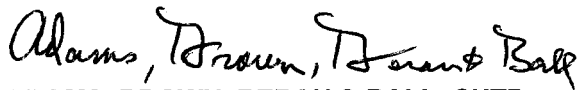
Unified School District No. 431 Hoisington, Kansas

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **Unified School District No. 431 Hoisington, Kansas**, as of June 30, 2010, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 04, 2010 on our consideration of **Unified School District No. 431 Hoisington, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Unified School District No. 431 Hoisington, Kansas**' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

October 04, 2010

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Funds							
General Fund	\$ (239,637)	96	4,383,278	4,530,746	(387,009)	59,558	(327,451)
Supplemental General Fund	13,924	-	1,200,826	1,260,000	(45,250)	-	(45,250)
Special Revenue Funds							
Contingency Reserve Fund	479,000	-	-	-	479,000	-	479,000
Capital Outlay Fund	904,481	-	225,484	706,344	423,621	539,401	963,022
Driver Training Fund	18,944	-	12,543	11,910	19,577	-	19,577
Professional Development Fund	6,052	-	32,500	16,735	21,817	30	21,847
Food Service Fund	112,691	100	431,141	428,970	114,962	943	115,905
Special Education Fund	156,503	-	802,289	738,924	219,868	-	219,868
Vocational Education Fund	60,799	-	163,527	171,478	52,848	-	52,848
Textbook Rental Fund	20,815	-	29,728	17,773	32,770	-	32,770
KPERS Special Retirement Contribution Fund	-	-	247,835	247,835	-	-	-
At Risk / 4 Year Fund	20,699	-	62,500	57,717	25,482	-	25,482
At Risk / K-12 Fund	36,155	-	350,000	341,996	44,159	-	44,159
Gifts and Grants Fund	1,768	-	12,159	11,471	2,456	1,125	3,581
Title I - 2008 Fund	12,725	-	24,805	143,835	-	-	-
Title I - 2009 Fund	-	-	144,332	50,586	497	-	497
Title I - ARRA Fund	-	-	27,328	33,994	(436)	-	(436)
Title II Fund	6,666	-	1,245	1,245	-	-	-
Title II - D Fund	-	-	824	849	(25)	-	(25)
Title II - D - ARRA Fund	-	-	3,520	3,520	-	-	-
Title IV - Drug Free Fund	-	-	112,796	119,886	-	-	-
Recreation Commission Fund	7,090	-	18,869	20,237	-	-	-
Recreation Commission Employee Benefit Fund	1,368	-	-	-	-	-	-
Capital Project Fund							
Capital Projects Fund	226	-	17	243	-	-	-
Debt Service Fund							
Bond and Interest Fund	1,177,889	-	853,676	898,684	1,132,881	-	1,132,881
Fiduciary Fund Category							
Private Purpose Trust Fund	-	-	-	-	-	-	-
Scholarship Fund	127,000	-	4,433	4,433	127,000	3,468	130,468
District Activity Funds							
Gate Receipts	448	-	41,941	41,710	679	-	679
Total Reporting Entity (Excluding Agency Funds)	\$ 2,925,606	196	9,237,746	9,898,651	2,264,897	604,525	2,869,422
		Composition of Cash					
		Checking Accounts					
		Money Markets					\$ (702,974)
		Savings Accounts					2,941,165
		Cash on Hand					1,466
		Certificates of Deposits					100
		Total Cash					688,300
		Agency Funds Per Statement 4					2,928,057
		Total Reporting Entity (Excluding Agency Funds)					\$ (58,635)
							2,869,422

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2010

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories						
General Funds						
General Fund	\$ 4,684,511	(204,311)	50,546	4,530,746	4,530,746	-
Supplemental General Fund	1,260,000	-	-	1,260,000	1,260,000	-
Special Revenue Funds						
Capital Outlay Fund	800,000	-	-	800,000	706,344	(93,656)
Driver Training Fund	15,446	-	-	15,446	11,910	(3,536)
Professional Development Fund	31,000	-	-	31,000	16,735	(14,265)
Food Service Fund	487,346	-	-	487,346	428,970	(58,376)
Special Education Fund	827,004	-	-	827,004	738,924	(88,080)
Vocational Education Fund	171,478	-	-	171,478	171,478	-
KPERS Special Retirement Contribution Fund	283,729	-	-	283,729	247,835	(35,894)
At Risk / 4 Year Fund	100,583	-	-	100,583	57,717	(42,866)
Recreation Commission Fund	374,743	-	-	374,743	341,996	(32,747)
Recreation Commission Employee Benefit Fund	130,900	-	-	130,900	119,886	(11,014)
Debt Service Fund	20,400	-	-	20,400	20,237	(163)
Bond and Interest Fund	898,684	-	-	898,684	898,684	-

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Taxes	\$ 746,141	616,639	625,135	(8,496)
Intergovernmental Revenue				
Mineral Severance Tax	26,472	16,465	-	16,465
Equalization Aid	3,419,894	2,981,406	3,319,599	(338,193)
Special Education Fund	573,375	508,199	529,754	(21,555)
Federal Aid	-	800	-	800
Federal Aid - ARRA	-	210,023	210,023	-
State Aid	-	2,848	-	2,848
Other Local Sources				
Miscellaneous Revenue	47,845	46,898	-	46,898
Total Cash Receipts	<u>4,813,727</u>	<u>4,383,278</u>	<u>4,684,511</u>	<u>(301,233)</u>
Expenditures				
Instruction	874,868	1,136,451	1,013,006	123,445
Student Support Services	118,389	123,450	119,893	3,557
Instructional Support Services	242,155	230,938	251,436	(20,498)
General Administration	266,524	251,336	279,374	(28,038)
School Administration	371,671	372,410	382,475	(10,065)
Operations and Maintenance	972,258	662,242	765,641	(103,399)
Vehicle Operating Services	171,760	147,971	167,933	(19,962)
Transfers Out	1,829,740	1,605,948	1,704,753	(98,805)
(a) Adjustment for Qualifying				
Budget Credits	-	-	50,546	(50,546)
Adjustment to Comply with Legal Max	-	-	(204,311)	204,311
Total Expenditures and Legal				
 General Fund Budget	<u>4,847,365</u>	<u>4,530,746</u>	<u>4,530,746</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	(33,638)	(147,468)		
Unencumbered Cash - Beginning	(206,475)	(239,637)		
Prior Year Cancelled Encumbrances	<u>476</u>	<u>96</u>		
Unencumbered Cash - Ending	\$ <u>(239,637)</u>	<u>(387,009)</u>		
(a) Adjustment for Qualifying Budget Credit				
Federal Aid, State Aid and Miscellaneous Revenue				
Over Amount Budgeted			\$ <u>50,546</u>	

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Supplemental General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Taxes	\$ 906,375	754,329	716,253	38,076
Intergovernmental Revenue				
Equalization Aid	502,897	341,392	416,632	(75,240)
Federal Aid - ARRA	-	105,105	-	105,105
State Aid	1,340	-	-	-
Total Cash Receipts	1,410,612	1,200,826	1,132,885	67,941
Expenditures				
Instruction	1,449,382	1,260,000	1,260,000	-
Cash Receipts Over (Under) Expenditures	(38,770)	(59,174)		
Unencumbered Cash - Beginning	52,694	13,924		
Unencumbered Cash - Ending	\$ 13,924	(45,250)		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Local Sources		
Transfers In	\$ 195,000	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	195,000	-
Unencumbered Cash - Beginning	284,000	479,000
Unencumbered Cash - Ending	\$ 479,000	479,000

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Capital Outlay Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Other Local Sources				
Interest on Idle Funds	\$ 42,357	31,265	60,000	(28,735)
Reimbursed Expenditures	142,899	74,030	140,000	(65,970)
Transfers In	87,543	120,189	120,000	189
Total Cash Receipts	<u>272,799</u>	<u>225,484</u>	<u>320,000</u>	<u>(94,516)</u>
Expenditures				
Instruction	-	29,921	50,000	(20,079)
Student Support Services	-	-	50,000	(50,000)
Instructional Support Services	-	-	50,000	(50,000)
General Administration	-	-	50,000	(50,000)
School Administration	-	-	50,000	(50,000)
Contract Services	6,556	117,294	50,000	67,294
Operations and Maintenance	67,793	49,649	50,000	(351)
Vehicle Operating Services	224,500	-	150,000	(150,000)
Facility Acquisition and Construction	-	509,480	300,000	209,480
Total Expenditures	<u>298,849</u>	<u>706,344</u>	<u>800,000</u>	<u>(93,656)</u>
Cash Receipts Over (Under) Expenditures	(26,050)	(480,860)		
Unencumbered Cash - Beginning	909,566	904,481		
Prior Year Cancelled Encumbrances	20,965	-		
Unencumbered Cash - Ending	<u>\$ 904,481</u>	<u>423,621</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Driver Training Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 1,596	2,250	2,300	(50)
Other Local Sources				
Fees	5,750	4,350	10,000	(5,650)
Transfers In	-	5,943	10,000	(4,057)
Total Cash Receipts	<u>7,346</u>	<u>12,543</u>	<u>22,300</u>	<u>(9,757)</u>
Expenditures				
Instruction	11,339	9,949	14,296	(4,347)
Vehicle Operating Services	902	1,961	1,150	811
Total Expenditures	<u>12,241</u>	<u>11,910</u>	<u>15,446</u>	<u>(3,536)</u>
Cash Receipts Over (Under) Expenditures	(4,895)	633		
Unencumbered Cash - Beginning	23,339	18,944		
Prior Year Cancelled Encumbrances	<u>500</u>	<u>-</u>		
Unencumbered Cash - Ending	\$ <u>18,944</u>	<u>19,577</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Professional Development Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 4,013	-	-	-
Other Local Sources				
Transfers In	25,000	32,500	25,000	7,500
Total Cash Receipts	29,013	32,500	25,000	7,500
Expenditures				
Instructional Support Services	31,546	16,735	31,000	(14,265)
Cash Receipts Over (Under) Expenditures	(2,533)	15,765		
Unencumbered Cash - Beginning	8,585	6,052		
Unencumbered Cash - Ending	\$ 6,052	21,817		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Cash Receipts				
Intergovernmental Revenue				
Federal Aid	\$ 162,008	197,001	147,610	49,391
State Aid	20,992	3,742	3,825	(83)
Other Local Sources				
Lunch Receipts - Students	160,190	155,398	121,314	34,084
Miscellaneous Revenue	315	-	-	-
Transfers In	100,000	75,000	120,000	(45,000)
Total Cash Receipts	<u>443,505</u>	<u>431,141</u>	<u>392,749</u>	<u>38,392</u>
Expenditures				
Operations and Maintenance	23,116	17,563	-	17,563
Food Service Operations	408,793	411,407	487,346	(75,939)
Total Expenditures	<u>431,909</u>	<u>428,970</u>	<u>487,346</u>	<u>(58,376)</u>
Cash Receipts Over (Under) Expenditures	11,596	2,171		
Unencumbered Cash - Beginning	101,034	112,691		
Prior Year Cancelled Encumbrances	<u>61</u>	<u>100</u>		
Unencumbered Cash - Ending	<u>\$ 112,691</u>	<u>114,962</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Local Sources				
Transfers In	\$ 856,835	802,289	825,000	(22,711)
Expenditures				
Instructional Support Services	772,643	708,216	795,290	(87,074)
Vehicle Operating Services	30,605	30,708	31,714	(1,006)
Total Expenditures	803,248	738,924	827,004	(88,080)
Cash Receipts Over (Under) Expenditures	53,587	63,365		
Unencumbered Cash - Beginning	102,916	156,503		
Unencumbered Cash - Ending	\$ 156,503	219,868		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Vocational Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Local Sources				
Perkins Grant	\$ 9,709	6,000	10,000	(4,000)
Transfers In	165,000	157,527	180,000	(22,473)
Total Cash Receipts	174,709	163,527	190,000	(26,473)
Expenditures				
Instruction	164,510	171,478	171,478	-
Cash Receipts Over (Under) Expenditures	10,199	(7,951)		
Unencumbered Cash - Beginning	50,600	60,799		
Unencumbered Cash - Ending	\$ 60,799	52,848		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Textbook Rental Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Local Sources		
Book Rental Fees	\$ 29,790	29,728
Expenditures		
Textbooks	27,094	17,773
Cash Receipts Over (Under) Expenditures	2,696	11,955
Unencumbered Cash - Beginning	18,119	20,815
Unencumbered Cash - Ending	\$ 20,815	32,770

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
KPERS Special Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
State Aid	\$ 242,504	247,835	283,729	(35,894)
Expenditures				
Instruction	181,878	185,876	192,368	(6,492)
Student Support Services	6,426	6,568	990	5,578
Instructional Support Services	7,033	7,187	9,046	(1,859)
General Administration	10,185	10,409	18,035	(7,626)
School Administration	7,033	7,187	26,974	(19,787)
Operations and Maintenance	12,731	13,011	17,023	(4,012)
Student Transportation Services	7,033	7,187	7,093	94
Food Service Operations	10,185	10,410	12,200	(1,790)
Total Expenditures	242,504	247,835	283,729	(35,894)
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
At Risk / 4 Year Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Local Sources				
Transfers In	\$ 67,000	62,500	84,360	(21,860)
Expenditures				
Instruction	55,756	57,717	100,583	(42,866)
Cash Receipts Over (Under) Expenditures	11,244	4,783		
Unencumbered Cash - Beginning	9,455	20,699		
Unencumbered Cash - Ending	\$ 20,699	25,482		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
At Risk / K-12 Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Other Local Sources				
Transfers In	\$ 333,362	350,000	340,393	9,607
Expenditures				
Instruction	341,218	341,996	374,743	(32,747)
Cash Receipts Over (Under) Expenditures	(7,856)	8,004		
Unencumbered Cash - Beginning	44,011	36,155		
Unencumbered Cash - Ending	\$ 36,155	44,159		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Gifts and Grants Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
State Aid	\$ 4,260	2,940
Other Local Sources		
Contributions and Donations	6,080	9,219
Total Cash Receipts	10,340	12,159
Expenditures		
Instruction	8,572	11,471
Cash Receipts Over (Under) Expenditures	1,768	688
Unencumbered Cash - Beginning	-	1,768
Unencumbered Cash - Ending	\$ 1,768	2,456

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title I - 2008 Fund
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 135,000	24,805
Expenditures		
Instruction	122,275	37,530
Cash Receipts Over (Under) Expenditures	12,725	(12,725)
Unencumbered Cash - Beginning	-	12,725
Unencumbered Cash - Ending	\$ 12,725	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title I - 2009 Fund
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 20,180	144,332
Expenditures		
Instruction	19,076	143,835
Cash Receipts Over (Under) Expenditures	1,104	497
Unencumbered Cash - Beginning	(1,104)	-
Unencumbered Cash - Ending	\$ -	497

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title I - ARRA Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid - ARRA	\$ -	50,150
Expenditures		
Instruction	-	50,586
Cash Receipts Over (Under) Expenditures	-	(436)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(436)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title II Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 30,267	27,328
Expenditures		
Instruction	32,789	33,994
Cash Receipts Over (Under) Expenditures	(2,522)	(6,666)
Unencumbered Cash - Beginning	9,188	6,666
Unencumbered Cash - Ending	\$ 6,666	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title II - D Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 1,527	1,245
Expenditures		
Instruction	2,755	1,245
Cash Receipts Over (Under) Expenditures	(1,228)	-
Unencumbered Cash - Beginning	1,228	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title II - D - ARRA Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid - ARRA	\$ -	824
Expenditures		
Instruction	-	849
Cash Receipts Over (Under) Expenditures	-	(25)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(25)

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title IV - Drug Free Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 2,753	3,520
Expenditures		
Instruction	2,753	3,520
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Title V Fund
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$	
Intergovernmental Revenue		
Federal Aid - ARRA	-	-
Expenditures		
Instruction	501	-
Cash Receipts Over (Under) Expenditures	(501)	-
Unencumbered Cash - Beginning	501	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Rural Low Income School Program Fund
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
Federal Aid	\$ 22,748	-
Federal Aid - ARRA	-	-
Total Cash Receipts	22,748	-
Expenditures		
Instruction	22,748	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Recreation Commission Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Taxes	\$ 131,881	112,796	110,310	2,486
Expenditures				
Community Service Operations	135,000	119,886	130,900	(11,014)
Cash Receipts Over (Under) Expenditures	(3,119)	(7,090)		
Unencumbered Cash - Beginning	10,209	7,090		
Unencumbered Cash - Ending	\$ 7,090	-		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Recreation Commission Employee Benefit Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Taxes	\$ 21,501	18,869	18,378	491
Expenditures				
Community Service Operations	21,500	20,237	20,400	(163)
Cash Receipts Over (Under) Expenditures	1	(1,368)		
Unencumbered Cash - Beginning	1,367	1,368		
Unencumbered Cash - Ending	\$ 1,368	-		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Capital Projects Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Local Sources		
Interest on Idle Funds	\$ 3,476	17
Expenditures		
Capital Outlay		
Activity Center	235,876	-
High School	121,688	-
Transfers Out	-	243
Total Expenditures	357,564	243
Cash Receipts Over (Under) Expenditures	(354,088)	(226)
Unencumbered Cash - Beginning	354,314	226
Unencumbered Cash - Ending	\$ 226	-

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenues				
Taxes	\$ 794,260	709,643	653,758	55,885
Intergovernmental Revenue				
State Aid	231,504	143,790	143,790	-
Other Local Sources				
Transfers In	-	243	-	243
Total Cash Receipts	<u>1,025,764</u>	<u>853,676</u>	<u>797,548</u>	<u>56,128</u>
Expenditures				
Principal	525,000	550,000	550,000	-
Interest	<u>370,860</u>	<u>348,684</u>	<u>348,684</u>	-
Total Expenditures	<u>895,860</u>	<u>898,684</u>	<u>898,684</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	129,904	(45,008)		
Unencumbered Cash - Beginning	<u>1,047,985</u>	<u>1,177,889</u>		
Unencumbered Cash - Ending	<u>\$ 1,177,889</u>	<u>1,132,881</u>		

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Scholarship Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2010
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Other Local Sources		
Interest on Idle Funds	\$ 3,581	1,433
Scholarship Donations	3,000	3,000
Total Cash Receipts	6,581	4,433
Expenditures		
Scholarships	6,581	4,433
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	127,000	127,000
Unencumbered Cash - Ending	\$ 127,000	127,000

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Agency Funds

Summary of Cash Receipts and Cash Disbursements
For the Year Ended June 30, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organizations				
Book Club	\$ -	425	316	109
Cheerleaders	2,143	11,202	8,281	5,064
Class of 2007	539	2	541	-
Class of 2008	2,138	6	2,144	-
Class of 2009	2,270	15	2,285	-
Class of 2010	3,206	322	881	2,647
Class of 2011	124	9,965	8,004	2,085
Class of 2012	-	446	-	446
Class of 2013	366	493	-	859
Class of 2014	-	157	-	157
Clearing	-	589	589	-
Danceline	939	4,794	4,912	821
Drama Club	-	2,738	1,219	1,519
FCCLA	3,461	14,398	17,398	461
GAL'S	414	2,865	3,057	222
Gift Account	561	254	46	769
H-Club	3,996	26,037	24,847	5,186
HFL	123	776	553	346
International	741	904	395	1,250
Lincoln	7,976	17,581	18,257	7,300
Middle School	4,791	17,472	17,180	5,083
Music-Band	109	6,914	6,218	805
Music-Vocal	3,657	4,180	3,258	4,579
National Honor Society	-	453	278	175
Pep Club	1,652	1,356	1,535	1,473
Roosevelt	24,241	24,594	46,215	2,620
Sr. High	2,548	3,473	2,154	3,867
Stuco	7,138	7,675	10,009	4,804
Video Production	1,011	209	719	501
Yearbook	5,976	14,525	15,014	5,487
Total Student Organizations	\$ 80,120	174,820	196,305	58,635

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

District Activity Funds

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
Athletics	\$ 448	-	41,941	41,710	679	-	679

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unified School District No. 431 Hoisington, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

Unified School District No. 431 Hoisington, Kansas is a municipal corporation governed by an elected seven-member board. The financial statements of the District consist of all the funds of the District that are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Unified School District No. 431 Hoisington, Kansas is the primary government as defined in GASB #14 and further amended by GASB #39. The School Board is elected by the public. The Board has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of **Unified School District No. 431 Hoisington, Kansas**. The District exercises significant influence or accountability based primarily on operational or financial relationships with the District (as distinct from legal relationships).

Unified School District No. 431 Hoisington, Kansas Education Foundation

The Unified School District No. 431, Hoisington Education Foundation is organized as a nonprofit organization in the State of Kansas for the purpose of providing scholarship funds to students at **Unified School District No. 431 Hoisington, Kansas**. The Foundation does not issue audited financial statements. Contact the District Clerk for information on how to obtain this financial information.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the District for the year ended June 30, 2010.

Governmental Fund Categories

General Fund – to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Project Fund – to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets.

Debt Service Fund – to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund Categories

Agency Funds – to account for assets held by the District as trustee or agent for others.

Private Purpose Trust Funds – to account for assets held by the District as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

District Activity Fund – an agency fund that accounts for the receipts and disbursements of monies from student activity organizations in which the students participate and are involved in the management of the organization's activities. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. The student organization approves the expenditures, not the Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special revenue funds: Contingency Reserve Fund, Textbook Rental Fund, Gifts and Grants Fund, Title I - 2008 Fund, Title I - 2009 Fund, Title II Fund, Title II - D Fund, Title IV – Drug Free Fund, Title V Fund, Rural Low Income School Program Fund, and District Activity Funds - Gate Receipts.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The District follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District does not use "peak periods". All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$2,928,057 and the bank balance was \$3,797,694. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$418,714 was covered by federal depository insurance and \$3,378,980 was collateralized with securities held by pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at June 30, 2010.

Compensated Absences

The District's contracts with various employees permit the employees to accumulate various amounts of vacation time and sick leave. The contracts state that accumulated vacation time must be taken by the end of the contract date or the time will be lost.

The District is obligated to pay an employee \$80 per day for each accrued day above 50 days in accumulated sick leave when the individual departs from the District. An individual has the option of cashing out their accumulated days prior to leaving the District. This option has to be made between June 1st and July 1st of the year prior to the year the option is exercised. Annually, the District will pay out \$40,000 on a first come basis in September.

Full-time (certified) employees will be credited with 10 days sick leave on the first day of the fiscal year. Unused leave will be accumulated to a maximum of 80 days. The District is obligated to pay a teacher \$40 per day up to 10 days for an individual that has accumulated more than 80 sick days in a year. This payment will be made by June 30th of each year.

Clerical and custodial (classified) employees will be credited with 10 days sick leave on the first day of the fiscal year. Unused leave will be accumulated to a maximum of 50 days. All other classified employees will be credited with 7 days sick leave. Unused leave will be accumulated to a maximum of 35 days.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Notes to Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The total potential liability for sick leave of the District at June 30, 2010 was \$51,800. This potential liability is shown on the schedule of long-term debt.

Deferred Compensation Plan

The District sponsors a deferred compensation plan under the Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The District is not responsible to make any contributions.

Defined Benefit Pension Plan

Plan Description

Unified School District No. 431 Hoisington, Kansas contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State contributed 8.57% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. The State of Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009, and 2008, were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the required contributions for each year.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the District for special purposes.

Reimbursements

The District records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. The District's interfund transfers and statutory authority for June 30, 2010 were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Outlay Fund	K.S.A. 72-8803	\$ 120,189
General Fund	Driver Training Fund	K.S.A. 72-6423	5,943
General Fund	Food Service Fund	K.S.A. 72-5119	75,000
General Fund	Professional Development Fund	K.S.A. 72-9609	32,500
General Fund	Special Education Fund	K.S.A. 72-6420	802,289
General Fund	Vocational Education Fund	K.S.A. 72-6421	157,527
General Fund	At Risk / 4 Year Fund	K.S.A. 72-6414a	62,500
General Fund	At Risk / K-12 Fund	K.S.A. 72-6414a	350,000
Capital Project Fund	Bond and Interest Fund	Closed Fund	243

NOTE 3 – LITIGATION

The District is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other Districts in the State to participate in the Kansas Association of School Boards (KASB), a public entity risk pool currently operating as a common risk management and insurance program for 89 participating members.

The District pays an annual premium to the Kansas Association of School Boards for its workers' compensation insurance coverage. The agreement to participate provides that the Kansas Association of School Boards will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the Kansas Association of School Boards management.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 4 – RISK MANAGEMENT (continued)

The District continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto, fidelity bond coverage, and comprehensive collision insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the District's cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 7 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District has a check outstanding for more than two years, which is in violation of K.S.A. 10-816.

NOTE 8 – LONG-TERM DEBT

The District has the following types of long-term debt.

Lease Obligations

On July 17, 2008, the District entered into a lease agreement with Kansas Bank for \$1,196,250. Annual payments of \$111,464 began in the 2008-2009 fiscal year. The lease agreement is for energy conservation measures as agreed to with TAC Americas, Inc. on May 21, 2008. Although the Kansas Cash Basis Act requires lease agreements to be annually renewable and/or subject to annual appropriation of funds, the provisions of the cash basis law and K.S.A. 79-2925, and amendments thereto, do not apply to any contract or lease-purchase agreement entered into for the financing of energy conservation measures. As such, this lease agreement is not subject to annual appropriation of funds.

Refunded Bonds

On April 15, 2005, the District issued \$7,260,000 in General Obligation Refunding Bonds. The proceeds from the sale of the Bonds were used to establish an escrow account for the annual payment of interest from September 1, 2005 through September 1, 2011 on bonds maturing on 2012 and thereafter, and to redeem on September 1, 2011, the principal of the District's outstanding General Obligation Bonds, Series 2001-A, maturing September 1, 2011, and thereafter (the "Refunded Bonds"). The Refunding Plan was undertaken in order to achieve interest cost savings.

According to the terms of this Refunding Plan, the Refunded Bonds will be called on their earliest optional redemption date and redeemed at such time, all in accordance with the resolution authorizing their issuance. The Refunded Bonds represent the entire callable portion of the District's General Obligation Bonds, Series 2001-A. All Refunded Bonds will be called at a price equal to 100% of the par value thereof, without premium.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 8 - LONG-TERM DEBT (continued)

The District will continue to levy taxes to pay the interest and principal on the Series 2001-A issue for all bonds due through 2011.

Upon the payment in full of the interest on the Bonds to and including September 1, 2011 and the principal of the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund together with any interest thereon, shall be transferred to the District to be applied in accordance with the law.

Refunded Bonds

<u>Series</u>	<u>Amount Outstanding Prior to Refunding</u>	<u>Amount to be Refunded</u>	<u>Maturity Dates to be Escrowed</u>	<u>Call Date</u>	<u>Call Price</u>
2001-A	\$11,400,000	\$7,735,000	9/1/12-9/1/21	9/1/2011	100

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Notes to Financial Statements
June 30, 2010

NOTE 8 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the District for the year ended June 30, 2010 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2001	4.0% to 6.1%	04/15/01	\$ 12,058,106	09/01/21	\$ 1,725,000	-	(550,000)	(550,000)	1,175,000	61,950
Series 2005-A	3.0% to 4.3%	04/15/05	7,260,000	09/01/21	7,185,000	-	-	-	7,185,000	-
Lease Obligation										
Energy Conservation Lease	4.51%	07/18/08	1,196,250	07/17/23	1,196,250	-	(51,456)	(51,456)	1,144,794	53,951
Total Contractual Indebtedness										
					10,106,250	-	(601,456)	(601,456)	9,504,794	115,901
Compensated Absences										
					61,240	-	-	(9,440)	51,800	-
Total Long-Term Debt										
			\$ 10,167,490		-	(601,456)	(610,896)	(610,896)	9,556,594	115,901
Principal										
YEAR										
			2011	2012	2013	2014	2015	2016-2020	2021-2023	Total
General Obligation Bonds			\$ 575,000	600,000	605,000	625,000	640,000	3,640,000	1,675,000	8,360,000
Lease Obligation Payable			59,834	62,532	65,352	68,300	71,380	408,193	409,203	1,144,794
Total Principal			634,834	662,532	670,352	693,300	711,380	4,048,193	2,084,203	9,504,794
Interest										
General Obligation Bonds			325,054	299,785	275,845	253,393	229,830	741,433	72,356	2,197,696
Lease Obligation Payable			51,630	48,932	46,112	43,164	40,084	149,127	47,885	426,934
Total Interest			376,684	348,717	321,957	296,557	269,914	890,560	120,241	2,624,630
Total Principal and Interest										
			\$ 1,011,518	1,011,249	992,309	989,857	981,294	4,938,753	2,204,444	12,129,424

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Financial Statements

June 30, 2010

NOTE 9 - COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by these Statutes.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

General Fund

Statutory Revenues and Expenditures - Statutory and Budget

For the Year Ended June 30, 2010

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Statutory Revenues			
Taxes and Shared Revenues			
Taxes	\$ 616,639	625,135	(8,496)
Intergovernmental Revenue			
Mineral Severance Tax	16,465	-	16,465
Equalization Aid	3,128,399	3,319,599	(191,200)
Special Education Fund	508,199	529,754	(21,555)
Federal Aid	800	-	800
Federal Aid - ARRA	210,023	210,023	-
State Aid	2,848	-	2,848
Other Local Sources			
Miscellaneous Revenue	46,898	-	46,898
Total Statutory Revenues	<u>4,530,271</u>	<u>4,684,511</u>	<u>(154,240)</u>
Expenditures			
Instruction	1,136,451	1,013,006	123,445
Student Support Services	123,450	119,893	3,557
Instructional Support Services	230,938	251,436	(20,498)
General Administration	251,336	279,374	(28,038)
School Administration	372,410	382,475	(10,065)
Operations and Maintenance	662,242	765,641	(103,399)
Vehicle Operating Services	147,971	167,933	(19,962)
Transfers Out	1,605,948	1,704,753	(98,805)
(a) Adjustment for Qualifying			
Budget Credits	-	50,546	(50,546)
Adjustment to Comply with Legal Max	-	(204,311)	204,311
Total Expenditures and Legal General Fund Budget	<u>4,530,746</u>	<u>4,530,746</u>	<u>-</u>
Statutory Revenues Over (Under) Expenditures	(475)		
Modified Unencumbered Cash - Beginning	476		
Prior Year Cancelled Encumbrances	<u>96</u>		
Modified Unencumbered Cash - Ending	<u>\$ 97</u>		
(a) Adjustment for Qualifying Budget Credit			
Federal Aid, State Aid and Miscellaneous Revenue Over Amount Budgeted		<u>\$ 50,546</u>	

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Notes to Financial Statements
June 30, 2010

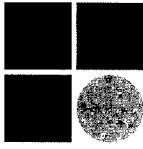
NOTE 9 - COMPLIANCE WITH K.S.A. 72-6417(d) AND K.S.A. 72-6434(d) (continued)

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Supplemental General Fund
Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010

	<u>Statutory Transactions</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Statutory Revenues			
Taxes and Shared Revenues			
Taxes	\$ 754,329	716,253	38,076
Intergovernmental Revenue			
Equalization Aid	309,351	416,632	(107,281)
Federal Aid - ARRA	<u>105,105</u>	<u>-</u>	<u>105,105</u>
Total Statutory Revenues	1,168,785	<u>1,132,885</u>	<u>35,900</u>
Expenditures			
Instruction	<u>1,260,000</u>	<u>1,260,000</u>	<u>-</u>
Statutory Revenues Over (Under) Expenditures	(91,215)		
Modified Unencumbered Cash - Beginning	<u>127,115</u>		
Modified Unencumbered Cash - Ending	\$ <u>35,900</u>		

Unified School District No. 431 Hoisington, Kansas

Supplementary Information



Certified
Public
Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Unified School District No. 431 Hoisington, Kansas
Hoisington, Kansas

We have audited the financial statements of **Unified School District No. 431 Hoisington, Kansas** as of and for the year ended June 30, 2010, which collectively comprise **Unified School District No. 431 Hoisington, Kansas'** basic financial statements and have issued our report thereon dated October 04, 2010. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with the *Kansas Municipal Audit Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

In planning and performing our audit, we considered **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Unified School District No. 431 Hoisington, Kansas'** internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. See 09-A on page 49.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We

Unified School District No. 431 Hoisington, Kansas

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consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See 09-B, 09-C, and 09-D on pages 49 through 51.

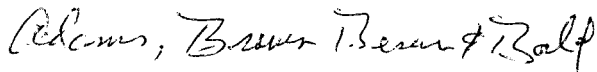
Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Unified School District No. 431 Hoisington, Kansas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Unified School District No. 431 Hoisington, Kansas**, in a separate letter dated October 04, 2010.

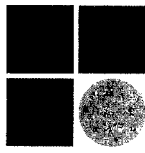
The **Unified School District No. 431 Hoisington, Kansas'** response to the findings in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit **Unified School District No. 431 Hoisington, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education and management of **Unified School District No. 431 Hoisington, Kansas**, and federal awarding agencies and pass through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 04, 2010



Certified
Public
Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education

Unified School District No. 431 Hoisington, Kansas

Hoisington, Kansas

Compliance

We have audited **Unified School District No. 431 Hoisington, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Unified School District No. 431 Hoisington, Kansas'** major federal programs for the year ended June 30, 2010. **Unified School District No. 431 Hoisington, Kansas'** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Unified School District No. 431 Hoisington, Kansas'** management. Our responsibility is to express an opinion on **Unified School District No. 431 Hoisington, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Unified School District No. 431 Hoisington, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Unified School District No. 431 Hoisington, Kansas'** compliance with those requirements.

In our opinion, **Unified School District No. 431 Hoisington, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of **Unified School District No. 431 Hoisington, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Unified School District No. 431 Hoisington, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Unified School District No. 431 Hoisington, Kansas'** internal control over compliance.

Unified School District No. 431 Hoisington, Kansas

Page Two

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

October 04, 2010

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting

- Material weakness identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB *Circular A-133*? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.394	State Fiscal Stabilization Fund - Education States Grant, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

09-A

Criteria

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The Organization is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the Organization implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The Organization is aware that employees have incompatible duties; however, due to the size of the Organization, it would not be feasible to hire additional personnel.

B. Significant Deficiency in Internal Control

09-B

Criteria

Client personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements.

Condition

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

Effect

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

Cause

The Organization is unable to obtain the training necessary to obtain these skills due to its size and financial resources.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Views of responsible officials and planned corrective actions

The Organization is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the Organization, it would not be feasible to obtain the necessary training.

09-C

Criteria

Transfers between funds should be recorded in their entirety (i.e., the expenditure in one fund and the revenue in another fund) to ensure proper reporting within the general ledger.

Condition

Unified School District No. 431 Hoisington, Kansas did not properly record year-end transfers in two funds totaling \$10,000.

Effect

Unified School District No. 431 Hoisington, Kansas' unencumbered cash balance for two funds were understated as of June 30, 2010.

Cause

The revenue entries for year-end transfers were not recorded in two funds at year-end.

Recommendation

All transfer entries should be reviewed to determine if both the expenditure and revenue entries have been made.

Views of responsible officials and planned corrective actions

The implementation plan is to have the District Clerk review all transfer entries to ensure both the expenditure and the revenue sides of the entries have been made.

09-D

Criteria

All bank reconciliations need to be completed as close to the end of each month as possible to ensure errors are caught on a timely basis and budget numbers used at year-end are correct.

Condition

Unified School District No. 431 Hoisington, Kansas did not have the banks reconciled at June 30, 2010 as of the date of fieldwork (August 30, 2010).

Effect

Unified School District No. 431 Hoisington, Kansas' unencumbered cash, revenue, and expenditure figures used to complete the budget were incorrect.

Cause

The bank reconciliations for **Unified School District No. 431 Hoisington, Kansas** were not completed in a timely manner.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Recommendation

Bank reconciliations need to be completed as close to the end of each month as possible.

Views of responsible officials and planned corrective actions

The District Clerk will reconcile all bank accounts within one week of receiving the bank statements.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2010

An OMB Circular A-133 audit was not required for the year ended June 30, 2009.

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Kansas State Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	3529-3490 3490 9904	\$ 35,324
National School Lunch Program	10.555	3530-3500 3500 9902/12	136,612
Summer Food Service Program for Children	10.559	3230-3020 3020 9923/25/88	19,377
Total Child Nutrition Cluster			<u>191,313</u>
Team Nutrition			
Team Nutrition Grant	10.574	3230-3020 R244	225
Fresh Fruit and Vegetables			
Fresh Fruit and Vegetables Grant	10.582	3230-3020 3020 9926	5,462
U.S. Department of Education			
Passed Through Kansas State Board of Education			
State Fiscal Stabilization Fund Cluster			
State Fiscal Stabilization Fund - Education			
State Grants, Recovery Act	84.394	3790-3790 3790	<u>315,128</u>
Statewide Data Systems			
Data Use Grant	84.372	3592-3070 N083	<u>800</u>
Safe and Drug Free Schools and Communities			
Drug Free State Grants	84.186	3795-3100 3100 1000	<u>2,770</u>
Education Technology Cluster			
Education Technology State Grants	84.318	3233-3040 3040 9962	1,245
Education Technology State Grant Recovery Act	84.386	3233-3044 3044 9964	849
Total Education Technology Cluster			<u>2,094</u>
Improving Teacher Quality			
Improving Teacher Quality State Grants	84.367	3526-3860 3860	<u>33,995</u>
School Preparedness			
School Preparedness State Grant	84.302	3056-3200 U875	<u>750</u>
Local Educational Agency Cluster			
Local Educational Agency Grants	84.010	3532-3520 3520	181,365
Local Educational Agency Grant Recovery Act	84.389	3532-3525 3525	50,586
Total Local Educational Agency Cluster			<u>231,951</u>
Total Expenditures of Federal Awards			<u><u>\$ 784,488</u></u>

UNIFIED SCHOOL DISTRICT NO. 431 HOISINGTON, KANSAS

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Unified School District No. 431 Hoisington, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.